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EXPLANATION OF REVENUE TITLE TO H.R. 3129 (EXTENSION OF HIGHWAY TRUST FUND TAXES)

As Approved by the

Committee on Ways and Means

JULY 23, 1986

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INTRODUCTION

This document provides an explanation of the committee amendment approved by the Committee on Ways and Means on July 22, 1986, to extend the present-law highway-related excise taxes and the Highway Trust Fund expenditure authority for five years (through September 30, 1993). The committee amendment is to be offered as the revenue title to H.R. 3129, the Surface Transportation and Uniform Relocation Assistance Act of 1986, when the bill is considered by the House of Representatives.

This committee explanation of the revenue title to H.R. 3129 is intended to be in the nature of a committee report and as part of the official legislative history of the committee amendment.

The first part is a summary of the committee amendment and background. The second part is the explanation of the provisions of the committee amendment. The third part presents the estimated effects of the committee amendment on the budget and the effects on the revenues to the Highway Trust Fund. The fourth part gives the required statements generally included in committee reports (vote of the committee and other matters required under House rules). Finally, the fifth part shows the statutory language of the committee amendment.

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I. BACKGROUND AND SUMMARY

A. Background on Legislation

On July 2, 1986, the House Committee on Public Works and Transportation reported a five-year extension of the Highway Trust Fund authorizations (Highway Account and Mass Transit Account) in H.R. 3129, the Surface Transportation and Uniform Relocation Assistance Act of 1986 (H. Rept. 99-665). The Committee on Public Works and Transportation requested [1] that the Committee on Ways and Means provide a revenue title to H.R. 3129 extending the present-law Highway Trust Fund excise taxes for five years (through September 30, 1993) to finance the five-year trust fund authorizations included in H.R. 3129 (for fiscal years 1987-1991). The Highway Trust Fund revenues currently expire after September 30, 1988, which is two years beyond the current fiscal year 1986 authorization expiration generally for present-law Highway Trust Fund authorizations.

The Committee on Ways and Means held a public hearing on the proposed five-year extension of the Highway Trust Fund excise taxes on July 22, 1986, and marked up a committee amendment (to be offered as the revenue title to H.R. 3129) on July 22, 1986. The Committee's Subcommittee on Oversight held a public hearing on July 15, 1986, on the issue of gasoline excise tax compliance and collection.

B. Summary of Committee Amendment

Present law highway trust fund excise taxes

Excise taxes are imposed on gasoline and diesel and other motor fuels, trucks and truck trailers, heavy tires, and heavy highway vehicles. Revenue from these highway-related excise taxes are deposited in the Highway Trust Fund. Revenues equivalent to one cent per gallon from the taxes on highway motor fuels go into the Mass Transit Account in the Highway Trust Fund. The other highway excise tax revenues go into the Highway Account of the Trust Fund.

The Highway Trust Fund taxes are currently scheduled to expire after September 30, 1988. (See Table in Part II, below.) Also, authority to expend from the Highway Trust Fund expires after September 30, 1988.

Committee amendment

The Committee amendment includes the following provisions:

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[1] See testimony of the Chairman of the Committee on Public Works and Transportation (Mr. Howard) at the Committee on Ways and Means public hearing on July 22, 1986.

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(1) The present law Highway Trust Fund excise taxes, and the authority to spend from the Trust Fund, are extended for five years (through September 30, 1993).

(2) The nine-cents-per-gallon exemption from the special fuels excise tax for neat methanol and ethanol fuels is reduced to six cents per gallon, as provided in H.R. 3838, effective on January 1, 1987.

(3) The technical correction provision in H.R. 3838 with respect to providing a full refund of 15 cents per gallon of the diesel fuel tax for all school buses is included.

(4) A Treasury study is required regarding compliance with and collection of the excise tax on gasoline, as well as excise taxes on diesel and other motor fuels, tobacco products and alcoholic beverages, and aviation excise taxes. The final report is due by December 31, 1986, with Treasury to expedite the study and report no later than October 1, 1986, with respect to the gasoline tax.

(5) The Highway Trust Fund statute is updated to reflect new trust fund authorization purposes in H.R. 3129, including highway beautification and university transportation research centers.

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II. EXPLANATION OF COMMITTEE AMENDMENT

A. Extension of Highway Trust Fund Excise Taxes

Present Law

Excise taxes

Excise taxes are imposed on gasoline and diesel and other motor fuels, trucks and truck trailers, heavy tires, and heavy highway vehicles. Revenues from these highway-related excise taxes are deposited in the Highway Trust Fund. The taxes currently are scheduled to expire after September 30, 1988. Deposits of pre-October 1, 1988, excise tax liabilities will continue to go into the Trust Fund for an additional nine months (through June 30, 1989).

The table below shows the present-law tax rate schedule for the Highway Trust Fund excise taxes.

PRESENT-LAW HIGHWAY TRUST FUND EXCISE TAXES (THROUGH SEPTEMBER 30, 1988)

Tax (and Code section)	Tax rate
Motor fuels:	
Gasoline (sec. 4081)	9 cents per gallon.
Special motor fuels (sec. 4041(b))	9 cents per gallon.
Diesel fuel (sec. 4041(a))	15 cents per gallon.
Trucks and trailers:	
Trucks (over 33,000 lbs.) and trailers (over 26,000 lbs.) (sec. 4051).	12 percent of retail price.
Tires for highway vehicles (sec. 4071)	40 lbs. or less—no tax. 40–70 lbs.—15 cents/lb. over 40 lbs. 70–90 lbs.—$4.50, plus 30 cents/lb. over 70 lbs. Over 90 lbs.—$10.50, plus 50 cents/lb. over 90 lbs.

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PRESENT-LAW HIGHWAY TRUST FUND EXCISE TAXES (THROUGH SEPTEMBER 30, 1988)—Continued

Tax (and Code section)	Tax rate
Use tax on heavy highway vehicles (sec. 4481).	Under 55,000 lbs.—no tax. 55,000–75,000 lbs.—$100, plus $22/1,000 lbs. over 55,000. Over 75,000 lbs.—$550.

Exemptions

In general.—General exemptions are provided from the highway excise taxes for otherwise taxable articles used by State and local governments and tax-exempt educational organizations, and for exported articles. There is also an exemption from the fuels taxes for fuels used on a farm for farming purposes, and for off-highway business use (other than boating and noncommercial aviation use).

Certain neat alcohol fuels.—A 9-cents-per-gallon exemption is provided for neat methanol and ethanol fuels which contain at least 85 percent alcohol produced from a substance other than petroleum or natural gas. A 4½-cents-per-gallon exemption is available for such alcohol fuels produced from natural gas. These alcohol fuels tax exemptions are scheduled to expire after December 31, 1992.

Diesel fuel used in buses.—A complete refund is provided of the 15-cents-per-gallon excise tax paid on diesel fuel which is used by private contractors to provide scheduled local bus service to the general public over regular routes. The Tax Reform Act of 1984 inadvertently failed to provide a complete refund when private contractors supply school bus service, the diesel fuel for which would be tax-exempt if the service were supplied by a State or local government or nonprofit school. The effective excise tax rate on this fuel is 3 cents a gallon (tax of 15 cents a gallon, less refund a 12 cents a gallon), the effective rate that generally applies to diesel fuel used in privately operated buses.

Gasoline excise tax collection

The gasoline excise tax is levied on the sale or use of gasoline by a producer or importer. The term "producer" includes a registered wholesale distributor ("jobber") selling to retailers or other wholesalers. Also, the term "wholesaler" includes certain chain retailers having 10 or more gasoline stations under common management. Such registered wholesalers may purchase the gasoline without payment of tax from the refiner or importer and collect the tax upon sale to a retailer or consumer.

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Reasons for Change

The Committee on Public Works and Transportation has reported a bill (H.R. 3129) providing authorizations from the Highway Trust Fund for fiscal years 1987–1991 generally (and fiscal year 1992 for the Interstate System). The Committee on Ways and Means is aware that the anti-deficit provisions governing trust fund authorizations would require reduction in highway spending commitments beginning on October 1, 1986, unless action is taken to provide further funding for the Trust Fund. The committee believes that continued funding for the building and maintenance of our Nation's highway system is an important national objective and that a five-year extension of the present Highway Trust Fund excise taxes is, therefore, appropriate at this time.

Explanation of Provisions

Excise taxes

The committee amendment extends the present Highway Trust Fund excise taxes for five additional years, through September 30, 1993. (See current taxes and rates in the table, above.)

The committee amendment further includes two highway-related excise tax provisions previously passed by the House of Representatives as part of the pending tax reform legislation (H.R. 3838). First, the committee amendment reduces the exemption from the special fuels excise tax for neat alcohol fuels (e.g., fuels 85 percent or more ethanol or methanol) derived other than from petroleum or natural gas from 9 cents to 6 cents per gallon.

Second, the committee amendment includes a technical amendment allowing a full 15-cents-per-gallon refund of excise tax paid on diesel fuel used in school buses while engaged in the transportation of students and school employees.

Collection of gasoline and other excise taxes

The committee amendment, in response to information received at a recent hearing of the Committee's Subcommittee on Oversight, requires the Treasury Department, after consultation with the Department of Justice and the Federal Highway Administration, State Tax Administrators, and industry representatives, to submit to the Committee on Ways and Means and the Committee on Finance a report on the extent to which the Federal gasoline tax is being evaded and an assessment of what administrative options and proposals, including enhanced enforcement and examination efforts, and legislative changes may be appropriate. In addition, the committee requests comprehensive information on the extent to which other Federal excise taxes, including but not limited to diesel and other motor fuels, tobacco products, alcoholic beverages, and aviation excise taxes, are being evaded or not collected.

This report must be submitted by December 31, 1986, except that the information relating to gasoline excise taxes must be submitted to the committee no later than October 1, 1986. In the interim, the committee intends that the Internal Revenue Service and other Federal agencies take appropriate administrative and enforcement action to deter any future evasion of Federal excise txes, particularly with regard to gasoline excise taxes.

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Effective Dates

The highway excise tax extension provisions of the committee amendment apply to taxable transactions occurring after September 30, 1988, and before October 1, 1993. The provision relating to neat alcohol applies to transactions after December 31, 1986. The technical provision affecting the fuels tax exemption for school buses is effective as if included in the Tax Reform Act of 1984.

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B. Highway Trust Fund Expenditure Authority

Background and Present Law

Overview

The Highway Trust Fund and the related highway excise taxes have been extended four times since 1970: a five-year extension in the Federal Aid Highway Act of 1970 (from September 30, 1972 through September 30, 1977), a two-year extension in the Federal-Aid Highway Act of 1976 (through September 30, 1979), a five-year extension in the Surface Transportation Assistance Act of 1978 (through September 30, 1984), and a four-year extension in the Surface Transportation Assistance Act of 1982 (through September 30, 1988).

The Highway Trust Fund authorizations in the 1982 Act were for fiscal years 1983–1986. Thus, the revenues deposited in the Trust Fund lag behind the authorization period by two years. This is due to the lead time required between the time a project is authorized or obligated and the time when money is needed to pay for it. An anti-deficit provision (i.e., the "Byrd Amendment") requires that highway apportionments be reduced when unfunded authorizations exceed estimated Trust Fund receipts (tax revenues and interest earned by the Fund) in the following 24-month period.

In the 1982 Act, the Highway Trust Fund statute was codified in the Internal Revenue Code (sec. 9503), effective January 1, 1983.

Trust Fund expenditure purposes

The 1982 Act established two Accounts within the Highway Trust Fund: the Highway Account and the Mass Transit Account. Amounts may be paid from the Highway Trust Fund through September 30, 1988, as provided in appropriation Acts, to meet obligations incurred in carrying out the purposes of the Trust Fund. Obligations may be incurred for the purposes specified in the Highway Revenue Act of 1956, the Surface Transportation Assistance Act of 1982, or any law enacted thereafter, for a general purpose authorized under these Acts as in effect on December 31, 1982. Thus, any new general expenditure purpose from the Trust Fund requires a Code amendment.

Highway Account expenditures

The general highway-related programs authorized from the Highway Trust Fund include the following:

- Interstate highways and resurfacing and repair
- Federal-aid highways, including primary and secondary systems, urban systems

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- Forest and public lands highways, scenic highways, parkways, Indian roads
- Highway hazard elimination projects
- Bridge replacement and rehabilitation
- Emergency (disaster) relief
- Rail crossing and demonstration projects
- Traffice control and traffic signal demonstration projects
- Intermodal urban demonstration projects
- Carpool and vanpool grants
- Pedestrian walkways on highway rights of ways and bikeways
- Highway-related safety grants
- Motor carrier safety grants
- Highway safety research and development
- National Highway Traffic Safety Administration for a share of traffic safety programs
- Certain highway-related administrative costs

Mass Transit Account expenditures

The Mass Transit Account in the Trust Fund is financed from the revenue equivalent of one cent of the tax on highway motor fuels. Amounts in the Mass Transit Account are available for making capital expenditures authorized under section 21(a)(2) of the Urban Mass Transportation Act. An anti-deficit provisions is provided so that unfunded transit authorizations may not exceed estimated account receipts for the following 12 months (compared to 24 months for the Highway Account).

Trust Fund Authorizations in Committee on Public Works and Transportation bill (H.R. 3129)

The Committee on Public Works and Transportation has reported a five-year reauthorization bill (H.R. 3129) for Highway Trust Fund expenditure programs, for fiscal years 1987-1991. The current trust fund authorization programs run through fiscal year 1986, as enacted in the 1982 Act. (Interstate authorizations are provided for one additional year under the bill and through 1989 under present law.)

Highway and highway safety program authorizations from the Trust Fund under H.R. 3129 for fiscal years 1987-1991 total $70.5 billion, an average of $14.1 billion per year. This compares with $14.8 billion authorized for fiscal year 1986 (after the 4.3 percent budget cutback under the Gramm-Rudman-Hollings" statute).

Mass transit authorizations from the Trust Fund under H.R. 3129 amount to $1.1 billion for fiscal year 1987, and $1.8 billion per year for fiscal years 1988-1991, or a total of $8.3 billion.

H.R. 3129 authorizes $5 million per year out of the Trust Fund for fiscal years 1987-1991 for billboard and sign removal costs. The bill also authorizes a total of $10 million per year for the five years for university transportation research centers ($5 million out of the

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Highway Account and $5 million out of the Mass Transit Account). Previously, any such amounts were authorized out of the general fund.

Reasons for Change

The Committee on Ways and Means agrees that expenditure authority for the Highway Trust Fund should be extended for five years (through September 30, 1993) to parallel the five-year Highway Trust Fund authorizations (Highway Account and Mass Transit Account) included in H.R. 3129 as reported by the Committee on Public Works and Transportation and the five-year extension of the highway excise taxes, (discussed in II. A., above).

Explanation of Provision

The committee amendment provides a five-year extension of the authority to make expenditures out of the Highway Trust Fund (through September 30, 1993), and updates the Trust Fund statute to reflect the new trust fund authorization purposes (highway beautification and university transportation research centers) included in H.R. 3129 as reported by the Committee on Public Works and Transportation.

Effective Date

The provision extending the trust fund expenditure authority is effective for the period, October 1, 1988 through September 30, 1993. The updating of the Trust Fund statute is effective on October 1, 1986.

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C. Trade-Related Provision of H.R. 3129: Buy American Restrictions

The Committee on Ways and Means is very concerned about the Buy American requirements in the Surface Transportation Act and the amendments to increase these restrictions in section 131 of H.R. 3129 as reported by the Committee on Public Works and Transportation. These provisions would add cement from Canada or Mexico to the existing prohibition on the use of other foreign products in Federally-funded highway projects and increase the domestic content requirements for the purchase of busses, railcars, and other rolling stock. These Buy American restrictions have a clear and direct impact on imports and affect our overall reciprocal trade relations and future trade agreements, particularly with Canada. Therefore, the committee believes such restrictions are inappropriate in this Act and intends to deal with them in connection with any future consideration of extension of the Highway Trust Fund.

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III. BUDGET EFFECTS OF COMMITTEE AMENDMENT

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made concerning the budget effect of the committee amendment.

The committee amendment will not effect net fiscal year budget receipts, as the extension of present law Highway Trust Fund excise taxes is included in the baseline budget assumption for budget estimating purposes by the Congressional Budget Office.

The revenue effect of the committee amendment on the Highway Trust Fund tax receipts is shown in the following table. The five-year extension of present law highway excise taxes is projected to provide $71.3 billion in tax revenues to the Trust Fund over the five-year period, fiscal years 1989–1993. In addition, the Trust Fund will earn interest on investments of its cash balance.

ESTIMATED HIGHWAY TRUST FUND RECEIPTS UNDER COMMITTEE AMENDMENT, FISCAL YEARS 1989–1993

[Millions of Dollars]

Tax	1989	1990	1991	1992	1993	1989–93
Gasoline and special motor fuels	8,606	8,660	8,744	8,829	8,915	43,754
Diesel fuel	2,925	2,995	3,139	3,290	3,448	15,797
Trucks & trailers	1,302	1,429	1,598	1,770	1,971	8,070
Heavy vehicle use tax	452	464	481	496	513	2,406
Tires	243	251	262	272	283	1,311
Total	13,529	13,799	14,223	14,657	15,130	71,338

NOTE: Details may not add because of rounding.

These estimates are made using the CBO February 1986 forecast assumptions, and therefore do not include effects of the recent changes in oil prices.

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IV. VOTE OF THE COMMITTEE AND OTHER MATTERS TO BE DISCUSSED UNDER HOUSE RULES

A. Vote of the Committee

In compliance with clause 2(l)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means on the motion to report the committee amendment. The committee amendment was approved by voice vote.

B. Other Matters

In compliance with clauses 2(l)(3) and 2(l)(4) of Rule XI of the Rules of the House of Representatives, the following statements are made with respect to the committee action on the committee amendment.

Oversight findings

With respect to subdivision (A) of clause 2(l)(3) (relating to oversight findings), the Committee on Ways and Means advises that it was a result of the committee's review of the Highway Trust Fund revenue needs to finance the five-year trust authorizations of H.R. 3129, as reported by the Committee on Public Works and Transportation on July 2, 1986, that the Committee on Ways and Means concluded that it is appropriate to approve a committee amendment to provide a separate revenue title for the tax and Trust Fund provisions of the bill when H.R. 3129 is considered by the House of Representatives.

The Committee on Ways and Means held a public hearing on July 22, 1986, on the revenue-related provisions of the Highway Trust Fund, and approved the committee amendment on July 22, 1986. The Subcommittee on Oversight held a public hearing on July 15, 1986, on the issue of gasoline fuel excise tax compliance and collection. (See also, I.A., Background on Legislation, above.)

Tax expenditures

With respect to subdivision (B) of clause 2(l)(3), after consultation with the Director of the Congressional Budget Office, the Committee on Ways and Means states that the changes made by the amendment do not involve any new or increased tax expenditures.

New budget authority

With respect to subdivision (b) of clause 2(l)(3), after consultation with the Director of the Congressional Budget Office, the Committee on Ways and Means states that the committee amendment involves no new budget authority.

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Congressional Budget Office estimates

With respect to subdivision (C) of clause 2(l)(3), the Committee on Ways and Means advises that the Director of the Congressional Budget Office has examined the committee's revenue estimates of the committee amendment (see Part III, above), but the director has not yet submitted a statement. (The committee understands that a CBO statement will be submitted on July 24, 1986.)

Oversight by Committee on Government Operations

With respect to subdivision (D) of a clause 2(l)(3), the Committee on Ways and Means advises that no oversight findings or recommendations have been submitted by the Committee on Government Operations regarding the subject matter of the committee amendment.

Inflationary impact

In compliance with clause 2(l)(4), the Committee on Ways and Means states that enactment of the committee amendment is not expected to have any impact on prices and costs in the operation of the national economy, since the amendment only extends present law Highway Trust Fund excise taxes at present rates for five years (through September 30, 1993).

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V. STATUTORY LANGUAGE OF COMMITTEE AMENDMENT

AMENDMENTS TO H.R. 3129, AS REPORTED TO BE OFFERED BY COMMITTEE ON WAYS AND MEANS

At the end of title V of the bill insert the following new title:

TITLE VI—HIGHWAY REVENUE ACT OF 1986

SEC. 601. SHORT TITLE.

This title may be cited as the "Highway Revenue Act of 1986".

SEC. 602. 5-YEAR EXTENSION OF HIGHWAY TRUST FUND TAXES AND RELATED EXEMPTIONS.

(a) EXTENSION OF TAXES.—The following provisions of the Internal Revenue Code of 1954 are each amended by striking out "1988" each place it appears and inserting in lieu thereof "1993":

(1) Section 4041(a)(3) (relating to special fuels tax).

(2) Section 4051(c) (relating to tax on heavy trucks and trailers sold at retail).

(3) Section 4071(d) (relating to tax on tires and tread rubber).

(4) Section 4081(b) (relating to gasoline tax).

(5) Section 4081(e), 4482(c)(4), and 4482(d) (relating to highway use tax).

(b) EXTENSION OF EXEMPTIONS, ETC.—The following provisions of the Internal Revenue Code of 1954 are each amended by striking out "1988" each place it appears and inserting in lieu thereof "1993":

(1) Section 4041(b)(2)(C) (relating to qualified methanol and ethanol fuel).

(2) Section 4041(f)(3) (relating to exemption for farm use).

(3) Section 4041(g) (relating to other exemptions).

(4) Section 4221(a) (relating to certain tax-free sales).

(5) Section 4483(f) (relating to exemption for highway use tax).

(6) Section 6420(h) (relating to gasoline used on farms).

(7) Section 6421(h) (relating to tax on gasoline used for certain nonhighway purposes or by local transit systems).

(8) Section 6427(g)(5) (relating to advance repayment of increased diesel fuel tax).

(9) Section 6427(m) (relating to fuels not used for taxable purposes).

(c) EXTENSION OF REDUCED RATES OF TAX ON FUELS CONTAINING ALCOHOL.—

(1) Paragraph (3) of section 4041(k) of such Code (relating to fuels containing alcohol) is amended by striking out "December 31, 1992" and inserting in lieu thereof "September 30, 1993".

(2) Paragraph (4) of section 4081(c) of such Code (relating to gasoline mixed with alcohol) is amended by striking out "De-

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cember 31, 1992" and inserting in lieu thereof "September 30, 1993".

(d) OTHER PROVISIONS.—

(1) FLOOR STOCKS REFUNDS.—Paragraph (1) of section 6412(a) of such Code (relating to floor stocks refunds) is amended—

(A) by striking out "1988" each place it appears and inserting in lieu thereof "1993", and

(B) by striking out "1989" each place it appears and inserting in lieu thereof "1994".

(2) INSTALLMENT PAYMENTS OF HIGHWAY USE TAX.—Paragraph (2) of section 6156(e) of such Code (relating to installment payments of tax on use of highway motor vehicles) is amended by striking out "1988" and inserting in lieu thereof "1993".

SEC. 603. 5-YEAR EXTENSION OF HIGHWAY TRUST FUND.

(a) IN GENERAL.—Subsections (b), (c), and (e) of section 9503 of the Internal Revenue Code of 1954 (relating to Highway Trust Fund) are each amended—

(1) By striking out "1988" each place it appears and inserting in lieu thereof "1993", and

(2) by striking out "1989" each place it appears and inserting in lieu thereof "1994".

(b) EXPENDITURES FROM HIGHWAY TRUST FUND.—Paragraph (1) of section 9503(c) of such Code (relating to expenditures from Highway Trust Fund) is amended by striking out "or" at the end of subparagraph (B) and by striking out subparagraph (C) and inserting in lieu thereof the following:

"(C) authorized to be paid out of the Highway Trust Fund under the Surface Transportation and Uniform Relocation Assistance Act of 1986, or

"(D) hereafter authorized by a law which does not authorize the expenditure out of the Highway Trust Fund of any amount for a general purpose not covered by subparagraph (A), (B), or (C) as in effect on December 31, 1986."

(c) CONFORMING AMENDMENTS TO LAND AND WATER CONSERVATION FUND.—Subsection (b) of section 201 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-11) is amended—

(1) by striking out "1988" and inserting in lieu thereof "1993", and

(2) by striking out "1989" each place it appears and inserting in lieu thereof "1994".

SEC. 604. REDUCTION IN EXCISE TAX EXEMPTION FOR QUALIFIED METHANOL AND ETHANOL FUELS.

(a) IN GENERAL.—Subparagraph (A) of section 4041(b)(2) of the Internal Revenue Code of 1954 (relating to exemption for qualified ethanol and methanol fuels) is amended to read as follows:

"(A) IN GENERAL.—In the case of any qualified methanol or ethanol fuel, subsection (a)(2) shall be applied by substituting '3 cents' for '9 cents'."

(b) CONFORMING AGREEMENT.—The heading for section 4041(b) of such Code is amended by striking out "EXEMPTION" the second place it appears and inserting in lieu thereof "REDUCTION IN TAX".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1987.

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SEC. 605. TECHNICAL CORRECTIONS.

(a) REFUND OF ENTIRE DIESEL FUEL TAX WITH RESPECT TO SCHOOL BUSES.—

(1) IN GENERAL.—Paragraph (2) of section 6427(b) of the Internal Revenue Code of 1954 (relating to intercity, local, or school buses) is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting after subparagraph (A) the following new subparagraph:

"(B) EXCEPTION FOR SCHOOL BUS TRANSPORTATION.—Subparagraph (A) shall not apply to fuel used in an automobile bus while engaged in the transportation described in paragraph (1)(B)."

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (A) of section 6427(b)(2) of such Code is amended by striking out "subparagraph (B)" and inserting in lieu thereof "subparagraphs (B) and (C)".

(B) The heading for subparagraph (C) of section 6427(b)(2) of such Code, as redesignated by paragraph (1), is amended by striking out "EXCEPTION" and inserting in lieu thereof "EXCEPTION FOR CERTAIN INTRACITY TRANSPORTATION".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in section 915 of the Tax Reform Act of 1984.

(b) CERTAIN TRANSFERS FROM HIGHWAY TRUST FUND TO BE MADE PROPORTIONATELY FROM MASS TRANSIT ACCOUNT.—Subsection (e) of section 9503 of such Code (relating to establishment of Mass Transit Account) is amended by adding at the end thereof the following new paragraph:

"(5) PORTION OF CERTAIN TRANSFERS TO BE MADE FROM ACCOUNT.—

"(A) IN GENERAL.—Transfers under paragraphs (2), (3), and (4) of subsection (c) shall be borne by the Highway Account and the Mass Transit Account in proportion to the respective revenues transferred to such Accounts under this section.

"(B) HIGHWAY ACCOUNT.—For purposes of subparagraph (A), the term 'Highway Account' means the portion of the highway Trust Fund which is not the Mass Transit Account."

SEC. 606. STUDY OF COLLECTION OF GASOLINE AND OTHER FEDERAL EXCISE TAXES.

(a) IN GENERAL.—The Secretary of the Treasury or his delegate shall, after consultation with the Department of Justice, the Federal Highway Administration, State tax administrators, and industry representatives, prepare a report on the extent to which the Federal excise taxes on gasoline are being evaded. Such report shall include—

(1) an assessment of administrative options and proposals (including enhanced enforcement and examination efforts) and legislative changes which may be appropriate, and

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(2) comprehensive information on the extent to which other Federal excise taxes (including other fuel taxes, taxes on tobacco products, and taxes on alcoholic beverages) are being evaded or not collected.

(b) SUBMISSION.—The report under subsection (a) shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

(1) not later than October 1, 1986, with respect to the portion of the report relating to Federal excise taxes on gasoline, and

(2) not later than December 31, 1986, with respect to the other portions of such report.

Amend the table of contents of the bill by adding the following after the items relating to title V:

TITLE VI—HIGHWAY REVENUE ACT OF 1986

Sec. 601. Short title.
Sec. 602. 5-year extension of Highway Trust Fund taxes and related exemptions.
Sec. 603. 5-year extension of Highway Trust Fund.
Sec. 604. Reduction in excise tax exemption for qualified methanol and ethanol fuels.
Sec. 605. Technical corrections.
Sec. 606. Study of collection of gasoline and other Federal excise taxes.

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